MILLENNIUM CHALLENGE CORPORATION

PRINCIPLES *into* PRACTICE

Gender Equality and Poverty Reduction through Growth

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The Millennium Challenge Corporation was founded with a focused mandate to reduce poverty through economic growth. MCC's model is based on a set of core principles essential for development to take place and for development assistance to be effective—good governance, country ownership, focus on results, and transparency.

The MCC Principles into Practice *series offers a frank look at what it takes to make these principles operational. The experiences captured in this series will inform MCC's ongoing efforts to refine and strengthen its own model. In implementation of the U.S. Global Development Policy, which emphasizes many of the principles at the core of MCC's model, MCC hopes this series will allow others to benefit from and build on MCC's lessons.*

The series also offers insights into MCC's experience with the technical and operational approaches it uses to support poverty reduction through economic growth. Consistent with MCC's focus on results, MCC is committed to learning from experience and applying lessons learned to its programs. Consistent with MCC's commitment to transparency, and in the spirit of ongoing collaboration with other development practitioners, MCC will share this learning publicly, even when it reflects challenges that MCC and partner countries have faced. The full Principles into Practice *series is available at www.mcc.gov/principlesintopractice.*

In Principle: MCC's Approach to Gender Equality

Gender equality and the empowerment of women and girls are widely recognized as key dimensions of human progress. Most development institutions and partner governments acknowledge this in laws, policies, institutional structures, and programming. When the Millennium Challenge Corporation developed its Gender Policy in 2006, its mandate was to address gender equality in the context of MCC's focused mission: poverty reduction through economic growth. Rather than adopting a rights-based perspective on gender equality, MCC's Gender Policy recognizes women as economic actors, and that gender inequality can be a significant constraint to economic growth and poverty reduction.[1]

The connection between poverty and gender inequality has been on the agenda of development practitioners, policy makers and researchers for over 30 years. Much progress has been made in the social sectors, such as health and education. Recently, gender equality has been directly linked to economic growth in the "smart economics" advocated by the World Bank. Research on the productivity impacts of inequalities in access to assets[2] and in wages and employment empirically demonstrate these linkages.[3]

MCC recognizes that the relationships among growth, equality and poverty reduction are complex and multi-dimensional. Critical engagement across disciplines is required to find the best tools and methods for effectively taking these relationships into account in practice. The dynamics among MCC's priority on gender equality and its core principles of country ownership, policy performance and focus on results can also be complex, presenting tradeoffs. This paper, like others in the *Principles into Practice* series,[4] describes how MCC and its partner countries address challenges that arise in practice within the context of an agency committed both to its core principles and learning from its experience.

> *"MCA is the first mainstream international assistance program in the United States in which women have not been an afterthought."*
>
> Ritu Sharma, President, Women Thrive Worldwide
>
> *(from their website, November 3, 2009)*

In Practice: MCC's Approach to Gender Equality

MCC was created and evolved from start-up to an established agency in a time when gender equality has been a policy priority. This has contributed to MCC's ability to integrate gender analysis into the core elements of its model and continue to learn, innovate and improve on its approach.

From its inception in 2004, Congress and the gender and development advocacy community urged MCC to substantively address issues of gender equality. With the public unveiling of its Gender Policy in January 2007, MCC received accolades from advocacy, policy and academic commentators. The policy links gender equality with MCC's mission by defining the roles and responsibilities of MCC and partner countries for gender integration throughout the compact process. In practice, the policy is already shaping all phases of MCC engagement with its partners. The policy also places gender equality within the growth and poverty dialogue, providing an unusual opportunity to integrate those interests and perspectives into decision-making.

> *"Gender integration can only be fully implemented with strong political commitment, high-level leadership and an institutional mandate for gender equality, supported by the enhanced capacity to conduct comprehensive gender analyses, sufficient financial resources, and greater accountability."*
>
> *InterAction's 2008 Transition Foreign Assistance Briefing Book*

MCC is working with its partner countries to put the policy into practice and is learning about challenges and opportunities embedded in MCC's model and the tools used to apply it. An InterAction Policy Brief from November 2008[5] commended MCC for its success in beginning to address the core requirements for successful gender integration, particularly in areas of leadership and mandate. Subsequent dialogue and documents from the NGO community encouraged MCC to meet other core requirements: resources, capacity and accountability. The framework of leadership, mandate, resources, capacity, and accountability proved useful and informed organizational change within MCC. In March 2011, MCC adopted its Gender Integration Guidelines,[6] designed to create a bridge between the policy and operational practice. The requirements established in these guidelines help MCC and its partner countries integrate gender into plans for country consultations, into the design, assessment and due diligence of proposed activities, and into the monitoring and evaluation of projects.

Gender equality is also embedded in the fundamental starting point of MCC's country partnerships—its country selection criteria.

MCC commissioned a study in 2011 to look at the gender-responsiveness of the original indicators used for determining eligibility. This study was part of a broader review of its indicators, conducted with the understanding that "legally sanctioned gender inequality has a significant negative impact on a country's economic growth because it prevents a large portion of the population from fully participating in the economy."[7] Based in part on those findings, MCC made additions to the selection system that strengthen its consideration of the economic implications of gender equality. For example, an Access to Credit indicator was added. Although it does not provide sex-disaggregated data, the indicator correlates well with gender equality. In fact, countries with higher levels of gender equality tend to perform better on this indicator.

For fiscal year 2012, MCC introduced a Gender in the Economy indicator, strengthening the signal to candidate countries that gender equality matters for poverty reduction and economic growth. This new indicator is based on the International Finance Corporation's Women, Business and the Law (WBL)[8] data, first published in 2009 and offering a new measurement of a critical policy area.[9] MCC explains the economic rationale for this new indicator in its *Guide to the MCC Indicators for FY2012*:

> When one gender receives fewer legal rights, both the country's potential labor force and potential pool of entrepreneurs decreases. When women are excluded from "male" jobs in the formal sector, overall productivity is lower, and an overcrowding occurs in the "female" informal job sector. This leads to a depression of wages for an otherwise productive group of workers.[10]

The Gender in the Economy indicator measures a government's commitment to promoting gender equality by providing women and men with the same legal ability to interact with the private and public sectors. It combines 20 different assessments comparing women's legal capacity to that of men. The legal capacity to execute 10 economic activities is examined: get a job, register a business, sign a contract, open a bank account, choose where to live, get passports, travel domestically and abroad, pass on citizenship to their children, and become heads of households. For the purposes of this indicator, women have the same capacity as men if they are legally able to perform these activities in the same way as men.

Box 1: **Selection**

MCC's country selection system aims to identify countries that have the right policy environment to promote economic growth and poverty reduction. Selection of an eligible country from the pool of candidate countries is driven by the extent to which a country has stronger policy performance than at least half of its income group peers on 20 indicators in three areas: Ruling Justly, Investing in People and Encouraging Economic Freedom. Gender has long been considered in the selection process through several indicators—Civil Liberties (FY04), Girls Primary Education Completion (FY05), Girls Secondary Enrollment (FY12), and Land Rights and Access (FY07).

MCC's approach to gender is maturing and the supportive policy environment is still strong. At the highest levels of government, gender equality has been elevated as a core principle, as demonstrated in the President's Global Development Policy.[11] Even with strong policy and agency commitments, as well as tools for gender integration, there are challenges in practice. MCC's leadership in this area since 2006 provides rich lessons about institutionalizing gender equality and about making it a substantive part of programs that support development. In this paper, MCC articulates nine lessons in the spirit of transparency and shared learning. As MCC works to improve its practice and engage in larger conversations about growth, inequality and poverty, it hopes that these lessons will stimulate further dialogue and experimentation across the agency and the broader development community.

Nine Lessons on Putting Gender Equality into Practice

MCC was created less than 10 years ago and is committed to continuous learning and making adjustments based on what it learns. This is reflected in how MCC addresses gender differences and inequalities in the projects it funds, in how it structures and manages the agency and in what partner countries expect regarding gender integration. The lessons learned in this paper are grouped into three general topics:

1. **Defining Gender Integration** Under this topic, three lessons illustrate how MCC defines a comprehensive view of gender integration: moving from risk to opportunity, going beyond simple targeting of assistance to women and looking for unintentional bias in apparently neutral project designs. (Lessons 1-3)

2. **Making Gender Integration Operational from Compact Design to Results** Under this topic, five lessons illustrate the challenges faced and progress made by MCC in acting on its gender requirements in five key aspects of compact development and implementation: the principle of country ownership; the focus on growth and economic analyses; the importance of policy; the integration of gender in infrastructure projects; and the focus on results. (Lessons 4-8)

3. **Translating Aspirations into Implementation** Under this topic, an overarching lesson shows how and why MCC is doing much more than just valuing gender equality. It lays out how MCC is evolving its approach and requires its staff and partner country teams to put the approach into practice. (Lesson 9)

Box 2:
The Nine Lessons

Lesson 1: Gender integration requires more than assessing and managing risks.

Lesson 2: Gender integration is more than a focus on women.

Lesson 3: Gender-neutral design is not neutral.

Lesson 4: Country ownership can present challenges for social inclusion.

Lesson 5: Tackling the relationships among growth, poverty reduction and gender equality in compact development is a challenge.

Lesson 6: Pushing the policy envelope advances gender equality.

Lesson 7: Systematic and early gender integration is critical in infrastructure projects.

Lesson 8: Gender analysis is important to understanding results.

Lesson 9: Making a gender policy operational really does matter.

Defining Gender Integration

Lesson 1:
Gender integration requires more than assessing and managing risks.

In its early years, MCC essentially took a 'do no harm' perspective on gender. Based on lessons learned, MCC shifted this perspective on gender to 'do better.' Rather than seeing gender analysis as a tool for preventing negative impacts on participants and beneficiaries, MCC now uses it to improve design to reduce or remove social inequalities that limit growth and poverty impacts. This change has implications for operational guidelines, approaches, staffing, and country team structures.

In MCC's early years, the agency's gender expertise was part of the team (Environmental and Social Performance Team or ESP) focused on mitigating environmental and social risks in MCC-funded projects. This reflected essentially a ‘do no harm’ perspective on gender. MCC soon realized that gender inequality presented a larger challenge than ensuring that people were not negatively affected by projects. Rather, such inequality shapes cultures, institutions, consultations, and decision-making processes associated with project development and implementation. Consequently, gender was included in the early guidance during missions to compact-eligible countries. In this way, MCC, in practice, expanded the role of gender analysis to the extent possible in those early days with its very limited human resources.

In subsequent years and with increasing experience, MCC’s operational assumptions evolved to recognize that when poverty reduction is the end goal, both environmental and social dimensions of project development are important from the very beginning of the process. This led to significant accomplishments, including MCC’s Gender Policy in 2006. The environment and social performance staff’s engagement on gender also grew, leading to an unusual level of integration as compared to typical impact assessment practices.

In August 2010, MCC established a separate social and gender assessment (SGA) group. Since then, the number of staff in this group has increased so that all new compacts now have both SGA and ESP staff assigned to the MCC country team. SGA team members are responsible for ensuring that gender analysis is front-loaded in compact design and carefully monitored during implementation. The SGA team is also responsible for some other social issues, such as identifying and managing trafficking-in-persons risks associated with compact projects and for supporting ESP on gender in their areas of responsibility. The SGA function and SGA staff are full partners on MCC teams, with independent clearance and approval authorities. The shift from a ‘do no harm’ to a ‘do better’ perspective frames MCC’s understanding of the importance of gender equality to growth and poverty reduction. It also creates a foundation for improving MCC’s approaches and tools to better reflect the state-of-the-field and to strengthen gender equality as a critical foreign policy commitment.

Box 3:
A Best Practice in Resettlement in a Road Project

In the resettlement process for the CA-5 highway under the *Transportation Project* in the Honduras Compact, both women and men were recognized as heads of household for the purpose of compensation. Resettlement objectives included promoting the participation of women as critical to the formation of a new community, and the contractor was required to ensure each key staff member had experience with gender. The Honduras resettlement action plan, reflecting the full participation of women and men, included three gender-responsive social compensation programs: 1) strengthening of social networks and community organizations; 2) reactivating the local economy through livelihood and business activities; and 3) establishing health programs (e.g. potable water) and addressing security issues (e.g. road safety).

A beneficiary of improvements achieved through the Honduras road resettlement activity

Lesson 2:
Gender integration is more than a focus on women.

Because societies, institutions and economies are shaped by the social relations of power, women's empowerment is necessary to remove the distortions that impede development. Reflecting this, the U.S. Secretary of State appointed the first U.S. Ambassador-at-Large for Global Women's Issues. Also, the U.S. State Department's first Quadrennial Diplomacy and Development Review[12] states that "women are at the center of our diplomacy and development efforts." MCC often refers to women as a group because gender inequality can exclude women's interests and needs from visibility in development planning. More importantly, MCC has designated gender integration as an agency priority.

On the surface, gender integration and a focus on women and girls may appear to be completely compatible; however, in practice, several challenges emerge. The development community has generally moved beyond advocating for women-only projects because they tend to be small, under-funded and disconnected from the majority of development investments and impacts. There are many examples where a small women-in-development (WID) project was either irrelevant or contradicted by a larger, so-called gender neutral investment that excluded women or neglected to understand and avoid the potential for negative impacts on women and families. Women-focused projects do not compensate for a lack of gender integration in large projects. They also may not be successful without gender analysis, as illustrated below.

Women-focused projects tend to be in the social sectors, based on assumptions about gender roles and differences. However, because projects in these sectors intentionally target women, gender analysis is often not done. The Indonesia Compact, for example, includes a $131.5 million MCC-funded project to improve nutrition and reduce childhood stunting. The project, called the *Community-Based Health and Nutrition to Reduce Stunting Project* (*PNPM Genarasi*), is based on an on-going project designed by the World Bank. During due diligence, an MCC-supported social and gender assessment noted an absence of fathers' participation in the existing project, even though their behaviors are critical to family and community well-being. Consequently, the new project funded by MCC specifically targets fathers through activities to improve men's knowledge and promote family health as a community issue, moving it from the private sphere of women to the public sphere of men. The active involvement of fathers will be developed through communications campaigns, capacity-building and incentives for service providers and community facilitators to lead interventions that contribute to gender equality. The challenge is shifting thinking

Mothers in Indonesia at childhood nutrition check-in.

within the entire program to understand the value of a gender equality approach and men's engagement in what is traditionally considered a women's program.

Just as gender is more than a focus on women, the social relations of gender are shaped by other social differences, such as ethnicity and age: this is an underlying principle of the study and practice of gender and development. Therefore, MCC's approach to gender integration, and the name of MCC's team of technical experts responsible for the work, is "social and gender assessment." MCC compacts in Namibia and Nicaragua illustrate how social dynamics affect program planning and implementation.

In the context of developing and implementing the Namibia Compact, MCC addressed how ethnicity influences project opportunities and benefits. In Namibia, where the San people have been historically marginalized, MCC made deliberate and effective efforts to integrate them, recognizing that they may benefit more from separate interventions but always in the context of a project's growth and gender equality objectives. Second, gender inequality in traditional San communities may be less challenging than in other ethnic groups as the San traditionally have social structures where women and men tend to have more equality. Through the *Tourism Project*, two conservancies made up almost entirely of members of the Ju/'hoansi San ethnic group (Nyae Nyae and N//a Jaqna) are benefiting from wildlife-based tourism on their lands. Support to these San conservancies recognizes unique land use and cultural practices that can be integrated into tourism products. It also recognizes the specific challenges facing San conservancy members, such as limited access to formal education for many of the adults. As a result, the tourism project includes cultural tourism, such as the Grashoek Living Museum, and training for conservancy members includes basic numeracy and literacy lessons. The compact also delivered the first training on gender equality, and both conservancies elected a woman to serve as their chairperson in 2012.

In the Namibia *Education Project*, MCC implemented specific measures to address some unique constraints faced by San learners. For example, at the Uukumwe Combined School, many San learners live in informal hostels with inadequate adult supervision outside of school hours. MCC is funding the construction of a multi-purpose center on school grounds for after school and weekend activities that promote continued learning, recreation and the pursuit of hobbies. Further, learners from vulnerable backgrounds that apply for competitive MCC-funded vocational training opportunities are given special consideration in a selection process that determines course eligibility.

San women and children in Namibia benefit from cultural tourism.

In the case of the *Rural Business Development Project* in Nicaragua, gender analysis proved essential for program design. Initially women were unlikely to qualify for the dairy component of the project as they did not have sufficient assets and because livestock activities are considered a masculine endeavor. In the end, the participation of women was so deep that they are now on the boards of the milk collection centers and livestock associations.

However, MCC and the MCA initially paid insufficient attention to another marker of social difference: age. During implementation, a new challenge emerged because the social and gender assessment failed to understand the relationship of elderly women to the milk produced in the region. The project created cold storage facilities that allowed the milk to more easily reach the market, resulting in less locally-available milk. MCC and MCA-Nicaragua learned that some older, poor women were losing an important income source because milk was no longer available at a very low cost for their use in producing artisanal cheese. In response, MCA-Nicaragua added an activity to improve the quality of the cheese and create access to a cheese market so that the now higher cost of milk was no longer a constraint.

Mainstreaming women into a larger project is not always the best answer because the inequalities that have excluded women are multi-dimensional and may require addressing strategic interests as well as practical needs. As noted in the 2012 World Development Report, "disparities in girls' schooling, unequal access to economic opportunities, and differences in voice in households and in society" are among the "persistent gaps" in gender equality that limit the impact of growth. Consequently, specific interventions might be needed that address how "markets, institutions, and households can … combine to limit progress." Policy interventions (Lesotho, Indonesia) and institutional reform (Cape Verde, Zambia) can provide opportunities for strategic change, and women-centered activities may provide a platform for correcting "differences in voice."[13]

Lesson 3:
Gender-neutral design is not neutral.

One of MCC's earliest lessons is that there is no gender-neutral design. It is an axiom in the gender and development community that if a project involves people, gender differences and inequalities are relevant. Yet, some early MCC project designs initially reflected an assumption of gender neutrality. Several examples from early compacts show how corrective action during implementation was taken, and these are shared on MCC's website.[14] Progress on gender during implementation resulted from MCC's thorough oversight and performance monitoring and its growing commitment to its gender policy mandate.

The Nicaragua Compact, which ended in May 2011, is an example of a compact which ultimately integrated gender successfully despite the lack of gender analysis in the early stages of design. The compact's *Rural Business Development (RBD) Project* worked with producers and targeted key productive sectors in western Nicaragua, such as livestock, agricultural production and forestry. Initially, the RBD Project was designed as if it were gender-neutral (without considering gender differences and inequality). Since the differences between women's and men's crops, assets and access to finance, were unknown, the project design was based on the normative understanding of the circumstances of male farmers, assuming that the farmer was a gender-free beneficiary. The original participation criteria emphasized the production end of the value chain, inadvertently limiting women's participation because of requirements related to holding productive assets.

This situation was addressed when *Consejo de Mujeres de Occidente* (a local advocacy NGO) provided MCA-Nicaragua with information on the role of women in Nicaragua's agricultural sector and recommendations on how to best integrate them in the compact. A gender analysis of different sectors was conducted, and MCA-Nicaragua used a creative and flexible approach to address the constraints to women's participation and strengthen opportunities for enhancing gender equality through the project.

While some women would have been excluded under the original participation criteria related to land size, numbers of cows, bee hives, other assets, and primary income sources, the new outreach approach was inclusive and sought to strengthen women's role in the productive sector. Through this gender-responsive approach, women producers without land ownership rights were able to participate in the project if they had documents clarifying their land-use rights. Also, business development workshops and technical assistance were offered to women, whether or not they were landowners. Women's participation in the project increased with this flexibility. For example, women's participation in the livestock activity increased from 8 percent to 22 percent in some locations. Moving forward, gender integration criteria were included in all activities designed during the implementation phase, ensuring equitable access and benefits.

Another example from the Honduras Compact, which completed in September 2010, demonstrates that not even procurements can be assumed to be gender-neutral. The compact was developed without a gender assessment, but MCC staff noticed that prior agricultural projects had been relatively unsuccessful in including women in the development of agricultural value chains. MCC observed that women seemed relegated to low-wage jobs in processing plants rather than growing their incomes through the development of small enterprises. Consequently, the compact with Honduras included a condition for female extension agents in order to reach women as participants in enterprise development.

A beneficiary of the Nicaragua dairy activity

During implementation, the farmer training contractor found that it could not recruit female extension agents. Women could not meet the position's advertised professional requirements, such as 10 years' experience, because women had not participated in these disciplines 10 years ago. New positions were created for junior staff allowing women to apply. To further improve design, gender analysis was conducted and other barriers to female participation were removed. Expanding targeted crops to include female-dominated crops, such as tropical flowers and aromatic herbs, and working with women's cooperatives in order to include those women who did not meet the project's asset criteria are two examples. Male farmers were encouraged to bring their wives and daughters with them to technical meetings and training workshops, and the project targeted female students in agriculture vocational schools.

In the Armenia Compact, which closed in September 2011, project design was adapted to address women's underrepresentation in leadership positions. The irrigated agriculture project was initially designed so that only members of water user associations could apply for related credit lines. However, this effectively excluded many women, including female-headed households, since 95 percent of members in water user associations were male. Recognizing that women were underrepresented in the leadership and membership of water user associations, the credit activity was modified so that association membership was no longer required for gaining access to credit under the project's *Water-to-Market* activity. To remedy earlier inattention to gender, the project also carried out gender analysis and hired gender-competent staff to help ensure that a broader range of farmers and agribusiness owners were included in the training and credit activities.

In the Mali Compact, initial gender analysis revealed that innovative measures were needed to ensure that women had both access and control of newly-productive land. Because of this, 47 women's garden associations or cooperatives received land and title. This meant that women from all households farming the 5,000 hectares of the Alatona irrigation perimeter had collective legal tenure of double-cropped irrigated land. In cases where an existing association or cooperative did not exist or did not align with the new resettlement pattern, or in the case of new arrivals, new associations were formed. Each household participating in these associations received 500 square meters within the markets gardens, which will remain for use by women in that household for generations. This is because the cooperatives hold the titles for the gardens and maintain women's access through their households. In addition to the market garden innovation, the Alatona project is the first example in Mali where significant and legal co-proprietorship of irrigated

Peul women in the Alatona region of Mali agricultural has been achieved. After an education campaign, 328 of the 954 households receiving title chose to co-sign their titles with at least one female from their household. While changes can be made during implementation so that the projects are better able to meet women's needs and interests, these examples also demonstrate how earlier gender analysis can be more efficient and intensive, and result in better design than taking corrective action.

Making Gender Integration Operational from Compact Design to Results

Lesson 4:
Country ownership can present challenges for social inclusion.

As an earlier paper in this series discussed,[15] MCC's founding principle of country ownership is both critical and difficult to realize. In the context of gender equality, country ownership presents an additional set of challenges based on a country's gender norms and assumptions, institutional structures, cultures, hierarchies, and expectations about the role of donors. Gender differences and inequalities, which are rooted in the social relations of power, play out in the institutions and processes of development, including those institutions involved in developing a compact. When the government entities who partner with MCC assume that projects are gender-neutral or have a limited understanding of the importance of social and gender analysis, social ministries might not be consulted. MCC is also very clear through its guidance on the consultative process that country ownership is inclusive and extends beyond national governments to include local governments, civil society, the private sector, and potential program beneficiaries. In this context, it can also be difficult to incorporate the perspectives of the poor, especially women. Thus, who represents the country in engaging MCC can be a challenge.

MCC strives to ensure that the interests of those with less power are not lost in the process of developing and implementing MCC investments. One way to do this is through the application of MCC's Gender Policy, [16] which recognizes that the consultative process is the first and an ongoing tool for addressing gender inequalities. Yet, in early compacts, both MCC and our partner countries may not have met our policy objectives because of challenges in commitment and capacity. This is important because who gets consulted—how, when, and what difference it makes—is shaped by social inequality, and social inclusion requires a deliberate and careful application of specific consultative and analytical tools.

In newer compact development processes, MCC and its country partners have provided more expertise, consistent guidance and oversight of consultations, helping them become more targeted and effective. In countries that have strong, well-organized civil societies and well-engaged social ministries, the strength of these institutions can allow for substantive influence on compact design and implementation.

MCC has seen, however, that opening the door to consultation around social inclusion and gender equality is not always enough. Governments and civil societies have different levels of experience and resources for engaging on the social dimensions of poverty reduction through growth. Partner countries sometimes see gender integration as a donor rather than a country priority. They may not recognize potential design efficiencies and expanded benefits it can bring to their projects. Some partner countries may be more accustomed to a 'check the box' approach to gender, rather than MCC's deeper approach to gender integration. In these cases, MCC must be attentive to potential gaps and continue to elevate gender equality priorities even where country counterparts might not.

On the other hand, when stakeholders in government and civil society, who reflect women's perspectives and an interest in gender equality, are consulted, there tends to be broad-based interest in social inclusion. These groups can help the compact provide a path toward equality in participation and distribution of benefits. It also fully demonstrates the principle of country ownership. This is true of the Lesotho, Zambia and Nicaragua compact development processes, and the development of a prospective second compact with El Salvador shows promise in this regard.

In Lesotho, women's rights advocates saw MCC as an ally in encouraging the government to achieve legal reforms that had languished too long and, through the compact, to ensure that their content was disseminated. In Zambia, the government's consultation structures for their five-year planning processes, which included a variety of governmental and non-governmental stakeholders, provided highly engaged and gender-responsive working groups for compact consultations, supported by a core team in Zambia that was committed to gender integration. The prospective second compact with El Salvador, currently in its early stages of development, demonstrates MCC's new operational requirements and a strong government commitment to gender equality at all stages of compact development, including the participation of the Technical Secretariat of the Presidency and the government's Institute for the Advancement of Women on the core team. In addition, the Government of El Salvador is conducting consultations in the U.S. as well as in El Salvador because the Salvadoran community in many U.S. cities is quite large and has a stake in development in their country of origin. These consultations, as well as those done in El Salvador, have been carefully and deliberately designed and implemented to encourage women and others who might not otherwise participate effectively. MCC and our partner countries expect that the perspectives gained through these consultations will be reflected in project proposals.

Father and son in the Lesotho highlands

Other development partners can also contribute to improving gender integration in compact design. The success of a local advocacy group in Nicaragua, the *Consejo de Mujeres de Occidente*, to influence final project designs was based, in-part, on the support they had received from another donor to conduct research and articulate the importance of women's economic roles in northern Nicaragua. It was also due to welcoming and responsive leadership at MCC and MCA, even after the compact had been signed. The MCA eventually hired one of the leaders from the advocacy group to lead the gender work on the compact, resulting in successful gender integration across projects.

In several MCC compact countries, Women Thrive Worldwide, a women's advocacy coalition and NGO, has engaged women's organizations and provided assistance to enable them to engage effectively with MCC's partner countries. Women Thrive—an advocate for gender integration and an MCC supporter—has consulted with women's groups in Burkina Faso, Honduras and Nicaragua.

There are many entry-points for gender-responsive consultations that broaden the possibilities for country ownership, including the environmental and social impact assessment process, the constraints to growth assessment and the social inequality constraints to poverty reduction assessment. As MCC matures as an agency, it has become better able to communicate and support appropriate and timely consultations throughout compact processes.

Lesson 5:
Tackling the relationships among growth, poverty reduction and gender equality in compact development is a challenge.

This lesson focuses on MCC's experience harmonizing its gender equality objective with its economic analysis processes and discusses additional ways in which gender analysis might be used to strengthen poverty reduction. MCC's model is based on a commitment to evidence-based decision-making that uses rigorous tools for economic analysis in assessing proposed projects, making investment decisions and measuring impact. The model is also grounded in the principles of transparency and accountability, reached, in part, through the use of well-established tools to provide quantitative measures of benefits and impacts, attempting to assign causality to specific project activities. MCC uses four main tools of economic analysis: the Constraints Analysis (CA), the Economic Rate of Return (ERR) calculation, the Beneficiary Analysis (BA), and Monitoring and Evaluation (M&E).

There are practical challenges for addressing gender inequality through these tools. (Three tools are discussed here in Lesson 5, and M&E is addressed in Lesson 8.) This lesson also suggests how these three tools might have some inherent limitations with respect to recognizing the complexities of gender and poverty dynamics or to identifying ex ante gendered impacts quickly and accurately. MCC will look for ways to enhance its existing economic analytical tools and for new methods of identifying inequalities that perpetuate disparities between women and men and constrain economic growth and poverty reduction.

Box 4:
Gender and Growth Linkages—Critical Context

MCC's core mission of promoting poverty reduction through economic growth is based on macro-level evidence that sustained poverty reduction requires economic growth. MCC also recognizes that the distributional outcomes of growth matter. Maximizing poverty reduction requires that interventions be designed with attention to the nature and extent of social inequalities. In order for many growth-enhancing interventions to have a strong impact on poverty, it is necessary to address persistent gaps created by gender and other social inequalities. MCC's designation of gender equality as an agency priority recognizes the importance of distributional impacts. This is also recognized in MCC's use of Beneficiary Analysis as a tool in project assessment. The role that increased gender equality plays in promoting economic growth is recognized in the World Bank's 2012 World Development Report as "smart economics."[1]

The positive relationship between gender equality and growth stems from productivity increases gained through two channels: a) reducing gender inequalities in labor market participation, wages, and access to and control over assets; and, b) facilitating the role of women in increasing the health, nutrition and education status of children and, thus, their productivity as adults. A substantial body of research shows that women's access to and control over assets—such as land, agricultural inputs, technologies, financial capital, and education—significantly affects agricultural productivity and other development outcomes such as food security and child nutrition.[2] For example, work by Udry et al. (1995) based on data from Burkina Faso found that the value of household agricultural output could be increased by 10 to15 percent through the reallocation of inputs between men's and women's parcels.[3] Cross-country regressions by Klasen (1999) found that if south Asia and sub-Saharan Africa had done more to reduce gender inequalities in education since the 1960s, their economic growth could have been up to 0.9 percent per year faster than it was and that gender inequality in employment may have reduced their growth by 0.3 percent compared to east Asia.[4]

[1] World Bank. 2012. The World Development Report. 2012. Washington, D.C.: The World Bank

[2.] For recent reviews of the literature related to agriculture, see; Meinzen-Dick, R., Johnson, N., Quisumbing, A., Njuki J., Behrman, J. Rubin, D., Peterman, A., and E. Waithanji. 2011. "Gender, Assets, and Agricultural Development Programs: A Conceptual Framework." CAPRi Working Paper No. 99. -Washington, D.C.: International Food Policy Research Institute; Peterman, A., J. Behrman and A. Quisumbing. 2010. A Review of Empirical Evidence on Gender Differences in Nonland Agricultural Inputs, Technology, and Services in Developing Countries. Washington, D.C.: International Food Policy Research Institute.

[3.] Udry, C., Hoddinott, J., Alderman, H. and L. Haddad. 1995. "Gender Differentials on Farm Productivity: Implications for Household Efficiency and Agricultural Policy." *Food Policy 20*: 407-423

[4] Klasen, S. 1999. "Does Gender Inequality Reduce Growth and Development? Evidence from Cross-Country Regressions." World Bank Policy Research Report Working Paper No. 7. Washington D.C.: The World Bank.

Setting investment priorities through the Constraints Analysis

The Constraints Analysis (CA) is conducted at the earliest stage of compact development. The CA is an economy-wide study intended to determine the binding constraints to an eligible country's economic growth, creating the framework for the subsequent selection of sectors and projects for consideration in a compact. The CA aims to identify the most severe binding constraints that deter households and firms from making investments of their resources, time and effort that would significantly increase incomes. The CA analysis is not looking for any and all impediments to growth but rather the primary two or three. It focuses on fundamental causes, not outcomes. For example, a constraint would not typically be low agricultural productivity, but rather its root causes, such as low human capital, property rights, trade policies, or environmental degradation. In 2012, gender was incorporated into the CA guidance as part of a process of updating MCC's Compact Development Guidelines.[17]

Where gender inequalities may be a root cause, an effort should be made to identify the underlying reasons as to why these inequalities exist and how they are constraining growth. The CA guidance document provides an example of how gender inequality could be a root cause of low agricultural productivity. Women may perform a high proportion of agricultural labor within the agricultural value chain, but have systematically lower levels of access to health care, education, inputs, credit, training, and property rights – all of which would reduce their productivity. If this type of gender inequality were to be identified as a binding constraint to economic growth, the CA would then look for the underlying reasons for the underinvestment in women.

In practice, there are several challenges to applying gender analysis in the CAs. First, there are practical limitations in terms of how deep an economy-wide analysis can go. As a result, while it is possible to identify some types of gender inequality (such as gender discrimination in civil or customary law) as root causes, other types may be much more difficult to assess under the CA's necessarily wide-angle lens. Sociocultural practices, beliefs and values, for example, may be beyond the scope of CAs to analyze, yet they can lead to discrimination in markets (e.g. credit or agricultural extension) and have significant impact on productivity and growth. Second, there is limited experience to date in applying gender analysis in CAs. The CA guidance suggests the use of a detailed methodology and data sources to perform the analysis that country-based teams normally rely on. So far, gender is only included in the methodology for assessing human capital, and MCC is considering expanding this to other elements of the CA diagnostic tree. Third, and most importantly, the CA relies on available datasets. Data on poor countries are often scarce, of poor quality and/or not well disaggregated along sex or regional lines. Sometimes raw data exist, but are not available to CA teams, and the reports that are available may or may not break the data down in a useful way. This can limit the ability of the CA to determine how social inequality may affect the binding constraints.[18] MCC is exploring how to find and use better data, but data accessibility and quality will remain a constraint.

To ensure that gender is comprehensively considered at this earliest stage of compact development, MCC's Gender Integration Guidelines now requires a Social Constraints to Poverty Reduction Analysis (SCA). By gathering primary and secondary data through a desk review and in-country consultations, the SCA aims "to identify social/gender inequalities that are constraints to growth and poverty reduction and ensure that findings are considered by the core team before concept papers are submitted to MCC." As a new requirement, MCC is just beginning to operationalize the SCA in new compact development processes.

MCC is still learning how to best coordinate the SCA with the CA. There are potential advantages to carrying out initial work under the SCA in parallel with the CA to maximize complementarities and to identify macro-level inequalities that should be addressed at this stage. In the development of a prospective second Benin compact, MCC's economics, social and gender assessment and private sector teams prepared a matrix that maps out findings of the CA and the SCA.[19] This identified the relationships among growth constraints, gender and other social inequalities and investment opportunities. After a decision to focus on certain sectors is made, further social and gender analysis can go in-depth in these sectors. This analysis can help better understand the nature of the underlying causes of the constraints and the implications of different choices regarding project selection and their effects on potential beneficiaries.

Measuring cost-effectiveness and distributional impacts of proposed investments through ERRs and BAs

Once various projects are proposed, the ERR analysis is used to assess the expected cost-effectiveness of the projects, which is important for investment decisions. To do so, the ERR analysis estimates the expected aggregate income increases attributable to the project, relative to project costs. The ERR does not distinguish among beneficiaries to attribute differential income impacts across different groups within the society. That is accomplished through the Beneficiary Analysis, which predicts how income gains are distributed across income groups. MCC's policy on economic analysis is to "seek programs with both high poverty reduction impact and high economic returns at the same time, rather than one or the other, and this approach excludes projects that promise high returns but do not benefit the poor." The ERR model is tied closely to the program logic, mapping how inputs to planned interventions are expected to translate into outputs, outcomes and, ultimately, increased income. Three issues emerge in practice from a social and gender equality perspective.

First, in practice, ERRs are a more prominent factor in investment decisions than the BA. The BA can be used to identify and select among alternative designs and might call attention to certain project risks. While both the ERR and BA inform investment decisions, in practice, more weight and attention are accorded to the ERR. MCC is conducting a review of how the BA has been used to date and will consider options for how to incorporate this analysis more effectively into MCC investment decisions.

Consultations for the development of a potential second compact with Benin

Second, MCC's use of the household as the unit of economic analysis for project assessment can limit analysis of the impact of gender inequality on economic growth and poverty reduction. According to MCC's guidelines on BA, "MCC considers the household the most practical unit of measurement, which reflects the underlying assumption that when one household member earns additional income, all household members benefit. As such, MCC defines and counts as beneficiaries all members of households that have at least one individual who realizes income gains."[20] Considering the household as the most practical unit of measurement is based on the fact that the preponderance of nationally representative datasets are at the household level, with intra-household datasets growing but still quite limited. An extensive economics literature demonstrates, however, that intra-household allocation matters.[21] Whether households actually pool resources depends on legal, marital, inheritance and property regimes, as well as socio-cultural practices. Much research shows that, first, men and women often do not pool resources and, second, resources controlled by men and women are spent differently, which can lead to different development outcomes. An important example is where women's income has been allocated toward human capital investments in children at a higher rate than men's.[22] The difference in allocation of men's and women's income is well documented and has clear long-term growth implications (e.g. higher investment in children's nutrition and education can lead to better income earning prospects as adults[23]). Consequently, increasing the welfare of a woman may have relatively higher long-run poverty reduction impacts than the same increase in welfare for a man.

For these reasons, MCC's guidelines on BA state that "the BA should include an explicit discussion of the extent to which gender differences are expected to arise in the likely distribution of income both across and within households." The guidelines recognize the difficulty of finding intra-household data, but seek to establish a framework for identifying the highest priorities for gender-disaggregation within the BA. This includes investigating "when programs appear to exclude women in participation" and "whether intra-household dynamics are likely to result in adverse impacts of a project on women, children or disadvantaged groups." In MCC's practice to date, gender disaggregation in the BA has been limited to estimating the percent of project participants who are female.

In addition, the ERR analysis does not typically analyze indirect, long-term impacts that matter for women particularly and, add them to the benefit stream. Gender analysis could help account for the spillover effects of investments, and improved understanding of intra-household resource allocation can result in policy conclusions and investments that more appropriately respond to what happens on the ground. For some sectors, intra-household analysis will not be possible in ERR models. Projects, such as those building roads or ports, have a hard enough time establishing impacts at the household level. Other projects within sectors such as land tenure, agriculture and human capital could model these impacts more easily given that they tend to work with targeted beneficiaries. Yet, to do so in an ERR, as opposed to an impact evaluation where data is collected, again requires available survey datasets with sex-disaggregated data. This kind of data increasingly is being collected in a number of countries in ways that might be used in some ERRs, and there are global efforts underway to systematically increase its collection and availability.[24] MCC is looking into ways to identify and use sex-disaggregated datasets for the countries in which it works, although there are challenges with regard to the capacities, time and funds available to do so. Bringing new approaches, literature and datasets to bear in its work could enable MCC to enhance its leadership with respect to how gender analysis can be used to improve development outcomes and increase the equity and magnitude of investment returns. A number of innovations are also underway with respect to data collection in Monitoring and Evaluation, to be discussed in Lesson 8.

Finally, calculating ERRs for projects involving time savings raises important issues regarding how benefits for women are estimated. A common benefit resulting from projects, particularly infrastructure projects, is time savings. For example, in the case of a household water supply project, such as the recently-signed compact in Zambia, one of the primary benefits is time savings due to reduced time collecting water, a task disproportionately carried out by women. In ERRs, the marginal value of beneficiaries' time is often estimated using prevailing wage rates (formal or informal) combined with the probability of securing employment. However, in countries where gender inequality is a systemic problem, the labor market may be distorted. Because of discrimination, women might be paid below market wages or female employment may be lower than it would be without discrimination. These issues in labor market discrimination highlight the difficulties in capturing the dynamics of long-term economic change. In the presence of distortions, the projected long-term wage growth for women might be underestimated. Under these conditions, a simple ERR based on prevailing wages and the probability of employment may in fact underestimate the economic value of women's time. If benefits are undervalued, such as reducing women's time fetching water, the ERR of a project that targets female beneficiaries, would also be underestimated.

Furthermore, the reason wage rates are often used as a proxy for the marginal value of time is because it is assumed that employment is the next best alternative for the use of time. There may be situations, however, where there are alternative uses of time that are superior to employment, like investing in human capital. Parents may choose education over sending their young girls out to earn wages. Similarly, mothers may find that addressing family nutrition or health issues may be the best alternative use of their time, at least in the short run. In such cases, the prevailing wage would also underestimate the true marginal long-run value of women's time.

Finally, when a large portion of paid labor is informal, wages may be underestimated because it is difficult to capture all the various informal sources of income in labor surveys. This would result in underestimated wages both for women and the poor, in general, since both groups are more likely to be employed informally. There is no simple way to determine when or exactly how to adjust for the potential undervaluation of women's time savings. The reality will vary from one social context to another, perhaps even within the same country. A comprehensive literature survey could identify possible advances in determining the value of women's time that could be incorporated into MCC's ERR methodologies. In addition, MCC could consider conducting pilots to measure empirically the economic value of women's time saved in the evaluation of selected projects.

Some of the challenges discussed in this section advance a broader debate and associated questions about the relationships among growth, poverty reduction and gender equality. MCC is working to enhance the impact of its investments through the use of gender analysis as a complementary tool to analyze more deeply the various pathways to poverty reduction through growth. Operationalizing this objective requires continuing to adapt its economic analysis tools, or in some cases complementing them with additional processes. MCC has taken a number of steps to integrate gender at the stages of the CA, ERR and BA, but a number of challenges remain.

Lesson 6:
Pushing the policy envelope advances gender equality.

A key principle for MCC is that policies matter. Beyond signaling eligibility for an MCC compact, policy and institutional performance is important for the impact and sustainability of MCC's investments. In addition to including a gender equality indicator among MCC's selection criteria, MCC learned from its experience that specific analytical tools are needed to ensure that its approach to gender equality is consistently reflected in policy and institutional reforms that are part of MCC's compact investments.

Gender Equality in Policy Reform

MCC is increasingly proactive about prioritizing a substantive review of sector policies that constrain growth in the compact development process. Sector and cross-sectoral analysis of the policy and institutional environment continues during project appraisal and due diligence and can result in additional interventions or policy conditions.

MCC struggled with how and when to address social inequality at the policy level in compact design. Even so, MCC has some important examples of policy reforms that matter to social inclusion broadly and to the quality of MCC's specific investments. For example, in 2006, prior to the formalization of both MCC's Gender Policy and the Constraints to Growth Analysis, gender inequality was identified as a constraint to growth and poverty reduction in the development of the Lesotho Compact. Because adult married women were legal minors, limiting their economic rights and potential, MCC took the position with the Government of Lesotho that the signing of a

Traditional leaders participate in a training on the new marriage equality law in Lesotho.

compact was conditional on achieving gender equality in specific economic rights that had already been supported broadly by Lesotho's civil society organizations. This was accomplished in December 2006 when Lesotho passed the *Legal Capacity of Married Persons Act*. Lesotho made significant progress in expanding and implementing these rights, supported throughout by MCC. MCC funded studies that identified additional legal reform needed to harmonize the *Act* with earlier laws and conditioned the compact's entry-into-force on these additional reforms. MCC also ensured that relevant elements of the *Act* were incorporated into the development of the new *Land Act* under the compact. In the Lesotho Compact, MCC also funded a *Gender Equality in Economic Rights Activity* which has provided outreach and training on gender equality and economic rights across the country and with numerous stakeholder groups, including men and traditional leaders in rural areas.

Policy constraints rooted in gender inequality were also identified in the development of the Indonesia Compact. Consultations with women's business and civil society groups and gender assessments identified policy barriers that matter for women's economic opportunities. The fact that Indonesia does not pass the new Gender in the Economy indicator is a reflection of these policy barriers. Indonesia's *Marriage Law* defines the male as the head of household, and this is a starting point for other regulations, such as the legal status of female-headed households and the tax code. With males designated as household heads and the tax code emphasizing the household rather than the individual as the unit, the effective tax rate for married women can be higher than for married men. Consequently, if women file independently, are separated or divorced or, due to a husband's unemployment, are actual household heads, they face a disincentive to formalize their participation in the labor force. The Indonesia Compact includes funding to further explore and address policy barriers linked to compact activities, such as the legal definition of a woman-owned business.

These types of examples are powerful but limited. Earlier MCC compacts did not analyze social inequalities at the policy level, and the CA does not usually reveal what laws and policies reproduce social inequalities and perpetuate poverty among certain social groups. To complement the CA, as mentioned in Lesson 5, MCC added the requirement that a Social Constraints to Poverty Reduction Analysis (SCA) be conducted at the beginning of the compact development process and be completed prior to the submission of concept papers for compact development. This assesses the legal, policy, institutional, and socio-cultural constraints to social and gender equality, a critical dimension linked to economic growth and poverty reduction. This analysis is conducted from a social inclusion perspective and used to inform and guide the development of projects, including the consultation process. MCC is in the early stages of assessing the effectiveness of this tool. The core teams in MCC partner countries during compact development are responsible for this analysis, as they are for the CA, and MCC is providing guidance and technical support to them. The results, so far, have been mixed, based partly on whether partner countries dedicate sufficient expertise and resources to conducting the analysis. Reflecting their commitment to gender integration, MCC senior management has been deeply engaged in delivering messages to senior officials in partner countries about the importance of this analysis.

MCC's prospective second compact with Benin, currently in the early phases of development, is an example of a country core team that has engaged expertise for the SCA and has demonstrated commitment by conducting the analytical work and integrating it into the CA as an annex. Although in its early stages, the Benin experience is instructive for future compacts.

Institutions Matter for Gender Equality

A related lesson from MCC's attention to legal and policy reform is the recognition that institutions and their staff embody and operationalize policies. Therefore, MCC understands the need to ensure sufficient attention to social inclusion in its support for institutional reform and capacity development. The recent compacts with Cape Verde and Zambia, both primarily in the water sector, illustrate this. In both countries, the objective of the approach is to build the capacity and incentives of key institutions and their staff to reach the poor and to provide gender-appropriate services that will effectively serve the primary users and managers of household water. This contributes to achieving the intended economic returns of the overall water and sanitation projects.

Almost half of the funds in the $66 million second compact with Cape Verde are dedicated to policy and institutional reform. This includes national reforms to improve water and sanitation planning systems and regulatory processes, including the creation of a new agency and the strengthening of other national institutions. The compact will also support technical assistance for the integration of gender and social analysis and objectives into national policies, planning, human resources, and budgets, including support for a social and gender unit in the new agency and its governing council. At the utility level, the project will promote increased financial and administrative autonomy and operations based on commercial principles, and strengthen management and planning for a new multi-municipal utility. Within this utility reform, social and gender integration will also address policies, planning, human resources, and budgets, building understanding and ownership of social and gender objectives across utility departments and establishing a community liaison/social affairs unit within the main multi-municipal utility.

The Zambia Compact—a $354.8 million water and sanitation project that includes $26.7 million for institutional support—has similar types of gender and social inclusion activities. These are within the Lusaka Water and Sanitation Company and the Lusaka City Council. Both institutions had pre-existing gender focal points and policies in progress, and also a considerable need to mainstream social and gender objectives and strengthen capacity to achieve them.

During compact development, consultations with the Island of Sal municipality contributed to the formulation of the Water, Sanitation and Hygiene (WASH) project activity in Cape Verde.

Looking ahead, MCC sees emerging opportunities to further integrate gender into MCC's commitment to policy and institutional reform: How can we use the Gender in the Economy indicator as a tool to incentivize change? Is the Threshold Program another vehicle to both identify and address social inequality constraints to poverty reduction?[25] As MCC continues to mature in its commitment to gender equality, it will explore these questions further.

Lesson 7:
Systematic and early gender integration is critical in infrastructure projects.

Approximately 65 percent of funding for MCC's compact investments has been for infrastructure projects, including transport, energy, irrigation, facilities, and water and sanitation. Gender integration in large infrastructure projects has posed a difficult set of challenges. First, gender integration in agriculture, land and human capital projects is an easier fit because projects in these sectors tend to target specific, identifiable groups of people. In infrastructure, beneficiary groups are more broad-based. Second, while the implications of infrastructure decisions on people's lives can be profound, they may be less apparent, and women's roles are less readily visible than they are in other sectors. Thus, it can take more effort to analyze and communicate across various stakeholders. There is also relatively little literature on gender and infrastructure, and fewer experts to draw on. Consequently, far less integration has occurred in this sector globally compared to others. MCC's progress and lessons in this area are useful to the agency and external audiences moving forward.

MCC learned in practice that gender integration must be *systematic* and *early.* In infrastructure projects, this means conducting gender analysis at the project concept stage, and continuing through feasibility and design-related studies, due diligence and implementation contracts. Although gender has been integrated into the Environmental and Social Impact Assessment (ESIA) process for some time, MCC's gender requirements (presented in Lesson 9) require a systematic and binding approach to *how* gender will be integrated and *when*. This requirement is driving attention to gender integration where it might otherwise be passed over. For example, in compact development, "Gender assessment is conducted independently or incorporated into relevant terms of reference and deliverables for feasibility, ESIA and due diligence contracts." In compact implementation, "Gender assessments are further integrated into relevant statements of work and deliverables for feasibility, design, ESIA, construction, and other sector contracts." [26]

The second Cape Verde Compact provides several useful lessons with respect to gender integration in infrastructure projects. Gender integration began in late 2010, when the Government of Cape Verde was developing its project concept. Within a few months, MCC sought to engage an independent engineer to conduct due diligence. The first question was whether gender integration should be reflected in the terms of reference for the engineering firm, or whether MCC should add a gender consultant. Weighing against integration was the fact that engineering firms do not normally have social and gender experts with the level of experience similar to a social science-based organization or firm. The firms often struggle to hire consultants with sufficient expertise to produce quality products. Weighing in favor of integration was the fact that it is harder to integrate the results of separate procurements; a single contract increases the chances of a well-integrated whole response and of building an audience and buy-in for the social proposals.

The team chose an integrated contract for due diligence and extensive social and gender-related tasks were written into the terms of reference and work orders. The firm contracted strong social/gender expertise and deliverables were inter-disciplinary and well-integrated. This facilitated a compact design where social and gender objectives are systematically integrated into the compact's institutional strengthening and infrastructure activities. Examples include the mainstreaming of gender and social inclusion in the new national water and sanitation agency and multi-municipal utility; requirements for social and gender screening criteria; local training and employment opportunities; and information, education and communications campaigns associated with the infrastructure. A fund has also been designated to help the poorest households gain access to water and sanitation. The early practice of working with single products built a culture of collaboration among infrastructure, social and gender, environmental, and private sector development teams in activities and contracts that followed. Good analytical work, the designation of gender as a corporate MCC priority and MCC's operational gender requirements built support for gender integration at each subsequent stage.

Integrated procurements are not problem-free, however, and not always the best option. The choice depends on the type of work involved, the likely type of expertise available and how much MCC and MCA teams—as well as bidding firms—appreciate the importance of social and gender issues in a given contract. In Cape Verde, integration worked less well as contracts moved to detailed designs. All project design contracts included SGA analytical components, with clear tasks and key staff position requirements. However, bidders, for whom this expertise is out of the norm, submitted proposals without requisite social science expertise or plans for addressing the tasks. Procurement guidelines do not require a minimum score for any one type of expertise or plan. Although this is viewed as a gender- neutral requirement because, in principle, all sections and positions are vulnerable to this

MCC and its partners support expanding women's employment opportunities in its infrastructure projects.

possibility; in practice this is unlikely to happen with the engineering specialist or plan in a qualifying proposal (see Lesson 3: Gender neutral design is not neutral.). Social and gender expertise and planning consistently scored low in accepted proposals. The compact, at an early stage, is experimenting with different approaches to addressing this situation. Because MCC's gender integration requirements in infrastructure projects are innovative, they pose a challenge in the market. Recently, MCC added a statement in bid documents for Cape Verde calling attention to the importance of social and gender expertise and experience to address this challenge.

The Philippines road rehabilitation project in Samar province provides a case of an integrated procurement with good results. SGA engaged early and consistently and a culture of collaboration was developed. However, although terms of reference included strong social and gender analytical requirements, these were not met in initial deliverables, reflecting challenges discussed above. Infrastructure, environment, social and gender teams worked with the contractors intensively over several months to help them meet the standards, and contractors added new SGA expertise on staff. This resulted in much improved design work, setting the stage for incorporating relevant social and gender provisions into bidding documents for the different segments of the road and their associated Environmental and Social Management Plans (ESMPs). Pre-bidding conferences included a presentation on social and gender assessment to signal to bidders its importance to MCC. Road construction contracts will incorporate incentives to reach social and gender-related outcomes specified in the ESMP, such as employment of women in construction or sourcing from female enterprises supported through MCC's skills-building and training.

Learning from these examples, additional social and gender provisions are currently being integrated into MCC's standard bidding documents that will apply to all compacts. MCC has made good progress in integrating gender into its infrastructure projects. This is a result of having requirements articulated as milestones in the Gender Integration Guidelines discussed in Lesson 9, and of the learning processes that have taken place during the course of implementation. This underscores the importance of implementing the required steps from the very start, so that cooperation and learning also develop early, as infrastructure decisions and designs are harder to change at later stages. Early integration, a strong analytical foundation and mutual education across disciplines involving MCC, MCA and contractors are all important parts of the process. Social and gender analysis must become core principles, not add-ons or check-the-box requirements, if real integration is to take place and infrastructure projects are to reduce inequalities and provide opportunities for all sectors of society.

Daily life along the roadside in the Philippines

Lesson 8:
Gender analysis is important to understanding results.

One of MCC's founding principles is results matter. This guides MCC's approach to investment decisions, program design and monitoring and evaluation (M&E) of program investments. Independent evaluations are a cornerstone of MCC's results management system, and are designed to foster accountability and learning. Because evaluation focuses on understanding how project interventions lead to desired outcomes, getting gender right in impact evaluations starts with getting gender right in project development, in final project design and in the results framework.

Gender analysis in M&E starts with analyzing the effects of projects on different beneficiary populations. From there, reflecting gender in MCC's M&E work requires adding new variables and indicators into the M&E framework, increasing collection and analysis of sex-disaggregated data, asking new questions, and complementing quantitative techniques with qualitative methods. MCC's teams have worked together to do this more regularly at the project level and to incorporate some of these approaches into M&E policy.

> Box 5:
> **Accountability and Learning**
>
> Accountability refers to documenting whether implementation went according to plan and to measuring income changes for program beneficiaries that are attributable to the MCC investment. Learning refers to understanding the causal pathways expected to link MCC investments to income changes and requires understanding how and why these changes do or do not occur.

MCC's 2012 revised M&E Policy specifically states that:

> "When pre-compact gender analysis, ERR analysis, or program design work leads to the formulation of specific hypotheses on gender impacts or explicitly links performance to gender-specific outcomes, reasonable and cost-effective efforts should be made to incorporate these gender dimensions into the activity's evaluation. When linked to program design, evaluations also should examine intra-household dynamics of male and female beneficiaries as it relates to resource access and use, the cost-effectiveness of delivering gender-differentiated interventions, differential impacts on men and women, and how gender integration enhances income growth. M&E plans will document how gender is being addressed in evaluations as relevant by country, and M&E staff will work with SGA staff to incorporate gender in evaluations and surveys as appropriate."[27]

This language is reinforced in the operational procedures outlined in MCC's Gender Integration Guidelines discussed in Lesson 9.

Gender and Monitoring Progress on Indicators

Since late 2010, MCC's SGA and M&E team members have been engaged on several important M&E initiatives. For example, sex-disaggregated indicators have been identified throughout M&E's revised set of common indicators to be collected for all sectors across all compacts. So far, extensive gender integration in M&E is still more occasional than systematic, as it will take time under the new M&E Policy before this type of work is fully undertaken. Currently, gender analysis is primarily conducted through sex disaggregation of appropriate indicators and the monitoring of outcomes. MCC's M&E unit recently undertook an inventory of M&E's work on gender and identified substantial progress as well as bottlenecks to integration. The results, reported to MCC in early 2012,[28] found 293 gender-related indictors across compacts, or 11 percent of all indicators, half of which were output indicators. Of these, 31 percent were being reported to MCC. This suggests the need for MCC to work with MCAs on clarifying the purpose of collecting this information and how to use it. Some compacts have done well already; the compacts in Armenia and El Salvador consistently reported sex-disaggregated monitoring data. Armenia, for example, reported sex-disaggregated data on loan borrowers and numbers of farmers using improved water management and high value agriculture practices or receiving training/technical assistance. MCC will periodically review the level of reporting on gender related indicators and work to ensure they are analyzed. The new emphasis on sex-disaggregation across common indicators will also improve reporting. Many other compacts are now revising their M&E plans, taking greater consideration of where gender-related data is relevant and useful.

MCC is also trying to address some difficult questions concerning target-setting related to gender. One is whether to use targets for women's participation in project activities. M&E guidance requires annual targets in the M&E plan for all compacts but until recently it has not required sex disaggregation. Such targets may be necessary to secure adequate participation by women, especially in sectors where they are less visible or where men tend to dominate in participation. The new M&E Policy allows for targets for women's and men's participation "in cases where project design or ERR analysis directly and explicitly links performance to gender-specific outcomes."

Another lesson concerns the importance of gender integration in project monitoring from the outset. In the Mongolia Compact, late attention to gender resulted in analyzing sex-disaggregated data midway through implementation. The data revealed that vulnerable households, including female-headed households, had been under-represented among the larger herder groups formed to receive project benefits, due to project criteria and its interpretation by the groups. By the time the issue was uncovered, it was too late to make substantial changes to project design. Through the gender milestones discussed in Lesson 9, MCC now emphasizes the importance of integrating gender analysis early in the compact development processes, so that M&E plans can be designed with the appropriate indicators, evaluation questions and strategies.

Gender and Impact Evaluation

A significant challenge to gender integration in MCC's evaluation work relates to the issues discussed around the economic analysis tools outlined in Lesson 5. Because realizing household income gains is a project's main goal, assessing impact on incomes is the primary objective of impact evaluations. However, understanding gender impacts on poverty and well-being are difficult to capture through an income measure alone. Some innovative impact evaluation work underway in the development research community measures the impact of interventions on women's versus men's assets to provide a fuller and more dynamic assessment of project impacts.[29] Other research is focusing on developing better methods and tools for intra-household analysis, looking at gender gaps in assets.[30]

Understanding the relationship between intra-household assets and poverty is important because interventions that focus on cash income alone may not generate improvements in certain measures of well-being such as nutrition, food security or health, which in turn may have significant long-term income effects. Gender differences in access and control over assets play a large role in determining whether and how short term income gains translate into improvements in well-being and for whom.[31] Increasingly, gender analysis is being integrated into impact evaluations globally, using similar rigorous survey methods and econometrics to those generally used by MCC to determine impacts.[32] However, recent MCC impact evaluations have demonstrated how hard it can be to measure project impact on household income, implying that intra-household impacts will be even more difficult. This is particularly true for beneficiary populations with multiple sources of income. In response, MCC is examining new methodologies.

Additionally, doing intra-household analysis has implications for structuring data collection. A review of the requests for proposals (RFPs) for MCC's independent evaluators—which define the terms of reference for evaluation contracts, including data collection efforts—found that all RFPs ask for some sex disaggregation in data collection. At the analysis stage, however, most contractors use the household as the unit of analysis. It is not clear yet whether there is sufficient statistical power[33] in the data collected or planned to allow MCC to perform intra-household analysis. Doing this requires specific requests in the terms of reference for the impact evaluators, and in the sample design and requirements outlined in the data collection contracts, which MCAs usually manage separately. These results may be due to time and capacity constraints on exploring gender, despite an interest to do so. Gender expertise was not required among key staff in 13 RFPs reviewed, while two included it as a plus.[34] Without this expertise, the evaluation firms and MCAs will not have the capacity to meaningfully integrate gender in data collection and analysis.

There have been important advances in gender integration in some compact evaluations. For example, the evaluation in Moldova of an agricultural training sub-activity will look at how this activity has changed non-farm income generated by female household members, women's leadership in communities, female ownership and control of assets, and constraints on women's access to finance.[35] Some data on asset ownership by sex is also being collected in MCC projects in the Philippines, Moldova and Tanzania. New compacts in Cape Verde and Zambia are planning to include studies of institutional reform processes involving mainstreaming of social and gender inclusion, as well as qualitative data collected on gender and social issues at the community and household level to help explain project outcomes and impacts. Current M&E plans for new compacts in development now include sex disaggregation of a number of impact indicators.

Another example involves a creative way to address the challenges of target-setting referred to above in the discussion on monitoring projects in the context of randomization in evaluation designs. MCC is committed to using randomization in impact evaluations where possible to enable comparison between what happened with a project versus what would have happened without it. However, randomization can create limitations for setting targets or providing preferences to increase women's participation. In the Mali Compact, a project distributing agricultural land used a 100-point scale to score projects against criteria, requiring 60 points for an application to make it into a lottery. Women received a bonus of 10 points, which in many cases enabled women to reach the 60 point minimum. The lottery then randomized those who had qualified.

Going Forward

MCC's M&E program has made substantial progress integrating gender in recent years. The agency's challenge going forward is to increase the integration of gender into program design in a manner designed to produce gender-relevant impacts, and then to effectively monitor progress and to improve evaluation designs to detect these impacts. More specifically, challenges include improving survey designs and modules to better collect sex-disaggregated data, including more intra-household analysis in addition to comparing male- and female-headed households; improving methods of data collection for gender and intra-household analysis (e.g. administering more survey modules separately to men and women); and asking more context appropriate, nuanced and gender-relevant questions by sector and project—a task tied closely to project design and requiring stronger gender expertise on evaluation teams. A final challenge is to better integrate gender into MCC's measurement of project outcomes. MCC has begun taking on these challenges. Doing so may add significant time and financial costs for M&E, in what are already very broad and complex programs with limited M&E staff resources. These discussions on what it means to operationalize MCC's Gender Policy continue to take place at MCC and with MCAs.

Translating Aspirations into Implementation

Lesson 9:
Making a Gender Policy operational really does matter.

MCC's approach to gender integration starts with a conceptual framework that identifies leadership, mandate, capacity, resources, and accountability as the requirements for success. In the context of leadership, MCC senior management has consistently and publicly supported gender integration, from the period leading to the development of MCC's Gender Policy to the present. Under the Obama Administration, MCC's leadership enabled significant progress in *operationalizing* gender integration. MCC's CEO renewed and expanded the agency's commitment by tasking his Senior Advisor with providing high level engagement and support, leading to greater consideration of gender equality throughout institutional processes and decision-making. Management also identified social and gender assessment as an agency priority for the past two years. These actions led to the normalization of gender integration within the agency; for example, it is a topic on the agenda of compact quarterly performance reviews and in investment and management committee meetings where recommendations on critical decisions are made. MCC senior management also instituted the separate SGA group and approved Operational Procedures and Milestones for Gender Integration in March 2011.

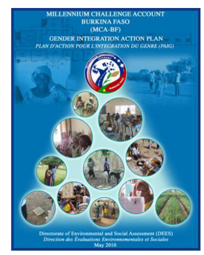
The shift toward an operational and institutional approach to gender integration in the last several years reflects what we have learned about the limitations of a policy accompanied by leadership, good will and some expertise, but without specific procedures and milestones for accountability: It is not enough. In previous decades, development agencies tried to mainstream gender throughout their operations by appointing people, often in very junior or support positions and without technical expertise or institutional authority - as gender focal points. During the development of its Gender Policy in 2006, MCC chose to use the term gender integration rather than mainstreaming specifically to signal that MCC would take a different approach, and it is now well on its way to meeting all of the requirements identified above.

Leadership at all levels

Because gender equality has proven to be a difficult concept to fully integrate into development institutions, leadership must be taken at all levels and commitments renewed continuously. MCC compacts with strong leadership on gender from the MCC resident country director (RCD) as well as from the head of the partner country's core team (development) or MCA (implementation) are the most successful. The Nicaragua Compact stands out in this regard. Even before a formalized approach from MCC, the MCC RCD and CEO of MCA Nicaragua recognized that it was in the compact's best interest to engage with the women's NGO and to hire one of its leaders for the MCA.

She became an empowered member of the staff with sufficient institutional authority and resources to do her job. Similarly, in the Philippines, early RCD leadership on gender has signaled to the rest of the team and to country counterparts that it is a high priority, helping to build team commitment and move gender integration forward. With MCC and country counterpart SGA staff involvement in key processes, MCC's requirements for operationalizing the Gender Policy, including completing the Social and Gender Integration Plan, are being robustly met, and additional resources and staff for SGA have been secured. Another example is from Mongolia. MCC SGA staff was assigned to the compact mid-way through implementation and worked with the team, supported by the RCD, to retrofit and identify integration opportunities in a compact where this issue had not been a focus in any previous projects. In 2012, Mongolia won MCC's Country Commitment Award for its work on gender.

Moving from a mandate to requirements



Gender Integration Plan for the compact with Burkina Faso

MCC's 2006 Gender Policy has, in practice, been a useful and focused tool for gender integration, particularly because it describes roles and responsibilities for both MCC and our partner countries. Beginning in 2011, MCC revised its compact development guidance, providing a space for the SGA staff to engage with sectoral and cross-sectoral colleagues to improve gender integration in these documents. However, the most important development since the approval of the Gender Policy also occurred in 2011—the approval of MCC's Gender Integration Guidelines that describe specific institutional requirements, operational procedures and milestones from the earliest stages of compact development through compact closeout as outlined in the textbox below. These guidelines are supported by additional guidance notes for specific key requirements, such as the Social Inequality Constraints to Poverty Reduction Analysis and the development of a Social and Gender Integration Plan. These plans, now in operation in 13 compacts, identify key focus issues and concrete activities to help ensure social and gender integration. They are living documents, updated annually, and are harmonized with project workplans. They also ensure that MCC gender integration milestones are met and operational procedures are followed and signal to all implementers the shared responsibility for gender integration.

With clear requirements for gender integration, including requirements that can condition financial disbursements, MCC has moved into a space occupied by few, if any, other donors. This contributed in the last year to a transformation in perceptions and concrete actions among staff and partners, about how serious MCC is about gender analysis and gender equality in the programs it funds.

Each of the milestones and procedures listed in the textbox below was developed in response to MCC's experiences implementing its Gender Policy and what has been learned overall in gender and development. They reflect the conclusions of an internal gender review of five countries that was completed in 2009 and they also embody what MCC has learned from its most successful compacts. For example, the idea of a compact-wide Social and Gender Integration Plan was contributed by the SGA lead from MCA-Nicaragua.

Box 4:
MCC's Gender Integration Guidelines: 27 Specific Milestones and Operational Procedures

1. Initial guidance from MCC SGA (prior to consultation design).
2. Core team of partner country has social scientist with gender expertise on staff (prior to consultations).
3. MCC assigns SGA staff to country team (prior to consultation design).
4. MCC SGA staff reviews how consultative process incorporates gender considerations and policy requirements and communicates further action required to core team through country team leader (CTL).
5. MCC SGA and core team SGA staff conduct a desk review and targeted external and in-country consultations to identify social/gender inequalities that are constraints to growth and poverty reduction and ensure that findings are considered by the core team before concept papers are submitted to MCC.
6. MCC's CTL ensures that MCC SGA staff review concept papers, communicates any further action required of the core team and ensures action is taken.
7. Preliminary gender assessment is conducted of relevant sectors and project areas.
8. Gender assessment is conducted independently or integrated into relevant terms of reference, s and deliverables for feasibility, Environmental and Social Impact Assessment (ESIA), and due diligence contracts.
9. Social and gender assessment is integrated in the Investment Memorandum.
10. Gender is integrated into beneficiary analysis and all M&E work including design of baseline surveys conducted prior to signing; gender integrated into Annex III of the compact and impact evaluation concept development prior to compact signing (including review for sex-disaggregated data and gender indicators where appropriate).
11. CTL ensures that compact language addresses gender considerations identified in compact development and that relevant gender-related conditions are incorporated.
12. Where appropriate, compact budget includes resources to address gender integration.
13. With MCC's no objection, MCA hires a senior social/gender specialist with gender competency as key personnel.
14. Gender Integration Plan is developed by MCA and approved by MCC prior to entry into force .
15. Gender Integration Plan is incorporated into program and project work plans.
16. Gender assessments are further integrated into relevant statements of work and deliverables for feasibility, design, ESIA, construction, agriculture, financial services, and other sector contracts.
17. SGA and M&E staff work together to ensure gender is integrated into monitoring and evaluation plans.
18. MCC and MCA ensure that there is sufficient budget in implementation agreements and/or Environmental and Social Management Plans and other budgets to incorporate gender.
19. Gender integration is a topic in the implementation workshop.
20. Gender training is conducted for all MCA staff and implementing partners.
21. MCA senior social/gender specialist provides input on gender integration to other ESA (such as resettlement) and sectoral specialists in the MCA.
22. MCA senior social/gender specialist and MCC review each project for gender integration performance quarterly.
23. MCC SGA staff provides support and oversight to MCA. In most cases, this will be through the social assessment function of the MCC ESA director on the country team.
24. With MCC ESA, the MCC SGA staff report on gender integration in each quarterly performance review.
25. MCC SGA staff review performance monitoring data with M&E colleagues quarterly, when relevant, to ensure analyses of sex-disaggregated data are available.
26. Gender is integrated appropriately into baseline surveys, impact evaluations and other evaluations.
27. Gender is integrated into relevant activities of the Compact Closure Guidance.

Ensuring Capacity to Meet Established Requirements

In October 2011, MCC's ESA[36]-SGA College included the participation of SGA's country counterparts. SGA staff from 13 countries presented to MCC and each other on the challenges and opportunities for gender integration in their compacts, while validating the milestones and operational procedures as critical support for their work. What was unusual about this event was the participation of professional SGA staff, usually senior social scientists, who now hold key positions within MCA teams.

A core lesson from MCC's practice, as well as a key requirement identified in the conceptual framework, is that capacity to do social and gender analysis must be present from the earliest stages of compact development. This would seem obvious, but many agencies and institutions in the development community do not prioritize this expertise as necessary and still rely on a small and overburdened staff, or on other staff who might not have the expertise to ensure that gender integration is sufficiently addressed. As noted in Lesson 1, MCC has made great progress in staffing its SGA group, and all new compacts have an MCC SGA staff member assigned to them from development through implementation. With the Gender Integration Guidelines, MCC now requires that a senior social and gender specialist be engaged by the country in the earliest stages of compact development, prior to consultations and the preparation of project concept papers. In addition, there are discrete SGA tasks and deliverables for this early period.

Once a compact is signed, MCC requires that a senior social scientists with gender expertise is hired by the MCA. As key staff, this position is filled early and MCC has the right to approve the person selected by the MCA. In earlier compacts, the SGA position was most often hired at a junior level and reported to the ESP Director. Increasingly in practice, MCC observed serious challenges for junior staff, including resistance to their working on gender equality objectives. Because the SGA function requires providing technical input and oversight across activities and sectors and managing key resources, it also requires the access and institutional authority of a senior person to ensure that SGA milestones are met.

MCA-Senegal was the first compact already in implementation to align its staffing with the new requirements. The gender specialist was elevated to a position reporting to the MCA-Senegal CEO, giving her the authority and independence to ensure that gender is integrated in a cross-cutting manner throughout the compact. MCA-Senegal recently finalized its Social and Gender Integration Plan, a critical requirement for ensuring accountability and oversight. The plan received broad input and support from across the MCA, demonstrating strong country ownership of this

On right, MCA Cape Verde's director for social and gender assessment.

key milestone. Another milestone, a Gender Capacity- Building Training, took place in March 2012 and further enhanced the MCA's understanding of gender integration and how to operationalize it through specific compact activities. Additionally, though the compact did not initially include funds for gender integration, budget resources have since been allocated to support ongoing social and gender integration efforts intended to reach milestone objectives.

Accountability for gender integration

Accountability for the expenditure of taxpayer resources is a foundational assumption at MCC. It shapes a culture at MCC that is evidence-based, focused on results and engaged in project oversight. MCC's oversight role involves balancing on the thin line between country ownership and ensuring quality project performance. This is important to the SGA function because for so long and in so many ways, gender equality has been more of a rhetorical rather than an actual commitment in the practice of development. The policy, milestones and operational procedures establish a baseline for accountability, as does the prioritization of gender by agency leadership. Accountability is strengthened further when managers ensure that the performance plans of staff, beyond the SGA team, include gender-related content. Accountability is never easy, and both MCC and its partner countries struggle with ensuring that there is broader sectoral and cross-sectoral ownership of gender integration.

Toward sustainability

Finally, MCC adds the concept of sustainability to the conceptual framework that it adopted from the gender and development community. The sustainability of opportunities and related enabling conditions for the growth of incomes among the poor requires removing barriers to gender equality. This is reflected in this paper's reference to legal, policy and institutional reforms that are integrated into compact processes and projects. Lesotho's compact offers an example of how a compact has taken on the issue of sustainability. MCC first took a bold step in 2006 in linking that compact to gender equality. Throughout implementation, the *Gender Equality in Economic Rights Activity* has worked to realize and sustain the rights achieved in the passage of the *Legal Capacity of Married Persons Act* (discussed in Lesson 6). MCA-Lesotho's ongoing engagement with the Ministry of Gender led to the development of a sustainability plan that includes adopting best practices from the compact and also conducting a policy review and institutional reforms. These will change the role of this ministry in relationship to other ministries as well as civil society. And with the support of the compact, Lesotho's customary law will also soon be reformed to better reflect equality between women and men.

This means that the activity funded under the compact can contribute to improving gender equality beyond the life of the compact. As MCC continues to consider how to design projects that meet women's needs and interests, it also needs to ensure that any women-focused activity also consider the relationship to the private sector as the best path to growing incomes and, in the long-term, reducing poverty for all.

Conclusion

In the six years since the approval of MCC's Gender Policy, the agency and its partners in compact countries have made significant progress in integrating gender into their development DNA. MCC now has required procedures and milestones in place to make the policy operational and to mark what has been achieved along the way. MCC's progress on gender integration has also uncovered challenges and met with competing priorities in how MCC and MCA teams work and the tools that they use. MCC is committed to exploring how best to reconcile these and to steadily improve its practices.

MCC learned that gender integration requires ongoing assessment and recommitment from leadership and staff. It also requires serious engagement across staff with different areas of expertise to address the challenges presented in this paper. In turn, this requires the willingness to go deeper and further to ensure that gender and social equality are part of poverty reduction through economic growth. MCC will continue to be an exemplary development partner, engaging substantively in tackling the challenges inherent in addressing the relationships among growth, gender equality and poverty reduction, and sharing what it learns to improve both global policy and practice.

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